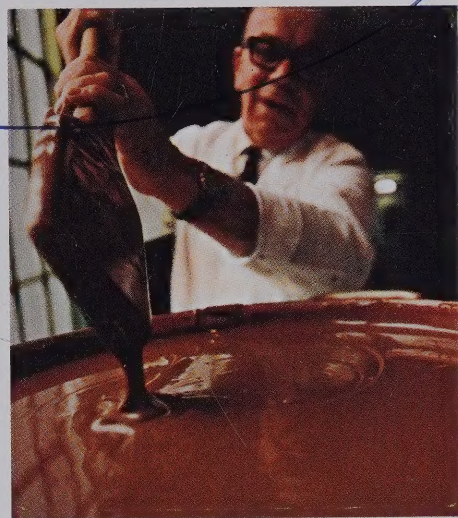
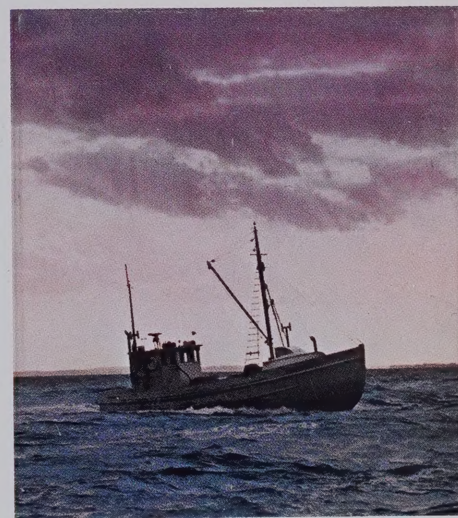
Sub

George Weston Limited 1969 Annual Report





Weston's

INTERIM REPORT TO SHAREHOLDERS

SIX MONTHS ENDED
JUNE 30, 1969

Sil

GEORGE WESTON LIMITED

GEORGE WESTON LIMITED

TO THE SHAREHOLDERS:

Income from operations of $6.6 million (56¢ per common share) for the first six months of 1969, compares with $5.2 million (43¢ per common share) for the six months of last year and represents a 27% increase.

Non-recurring profits in the current year added a further $.4 million (4¢ per common share) to net income as compared with last year's $9.9 million (91¢ per common share) which was made up substantially of the profit on the sale of the remaining interest in Fine Fare (Holdings) Limited. Net income for the first six months of 1969 amounted to $7.0 million (60¢ per common share).

Sales of $423 million were $123 million higher than in the same period last year. $94 million of this increase was attributable to the inclusion of Kelly, Douglas & Company, Limited in 1969. The other companies in the Weston group experienced a 9.5% growth.

Operating income before income taxes was $12.2 million, compared with $9.3 million in the previous year. Of the $2.9 million increase, Kelly, Douglas accounted for $1.5 million. The remaining $1.4 million represented a 14.9% increase in the other areas of the business. Management continues to vigorously implement cost reduction and control programs designed to improve profits.

Working capital of $109 million at June 30, 1969 was $10 million greater than at the beginning of the year. The increase of $27 million in long-term debt is substantially related to the purchase of Eddy Forest Products Limited, referred to in the first quarter report. $20 million of the $28 million increase in fixed assets is also associated with the acquisition of this company.

The quarterly dividend of 18¾¢ per common share has been declared payable on October 1 to shareholders of record on September 4.

Despite unsettled labour conditions in British Columbia affecting our retail operations, and the impact of accelerated tariff reductions on the fine paper segment of our Forest Products Division, a continuation of favourable results is expected in the second half of the year.

Toronto, Canada
August 22, 1969

G. E. CREBER
President and Managing Director

CONSOLIDATED FINANCIAL STATEMENTS

SIX MONTHS ENDED JUNE 30, 1969

(Unaudited)

INCOME

	(In thousands of dollars) 1969	1968
SALES	$423,373	$300,324
Costs and expenses, before undernoted items	400,669	282,995
	22,704	17,329
Dividend income from non-consolidated subsidiaries	1,183	1,144
	23,887	18,473
Depreciation	7,386	5,764
Interest on long-term debt	3,244	2,565
Other interest	1,100	864
	11,730	9,193
OPERATING INCOME BEFORE INCOME TAXES	12,157	9,280
Income taxes	4,720	3,885
	7,437	5,395
Minority interests	823	203
INCOME FROM OPERATIONS	6,614	5,192
Profit on sale of capital assets net of taxes and minority interests	352	9,900
NET INCOME FOR THE SIX MONTHS	$ 6,966	$ 15,092
Per common share:		
Income from operations	$ .56	$ .43
Net income	$ .60	$ 1.34

SOURCE AND APPLICATION OF FUNDS

	(In thousands of dollars) 1969	1968
SOURCE OF FUNDS		
Operations–		
Net income	$ 6,966	$ 15,092
Depreciation	7,386	5,764
Deferred income taxes	(295)	229
Total funds from operations	14,057	21,085
Fine Fare (Holdings) Limited–		
Proceeds of sale of shares	—	16,770
Less profit included above	—	9,408
	—	7,362
Net increase (decrease) in long-term debt	27,063	(2,314)
Sale of other investments	3,226	994
Increase (decrease) in minority interests	1,995	(2,263)
	46,341	24,864
APPLICATION OF FUNDS		
Dividends	4,558	4,567
Fixed assets	28,371	10,773
Excess of cost of shares acquired over net book value	2,717	(1,740)
Sundry items (net)	159	205
	35,805	13,805
INCREASE IN WORKING CAPITAL	10,536	11,059
WORKING CAPITAL – beginning of year	98,172	76,675
WORKING CAPITAL – June 30	$108,708	$ 87,734

George Weston Limited Annual Report

for the year ended December 31, 1969

CONTENTS

EXECUTIVE OFFICES

25 King St. West, Toronto, Canada

STOCK LISTINGS

Toronto, Montreal and Vancouver Stock Exchanges

TRANSFER AGENTS

National Trust Company, Limited, Toronto, Montreal, Winnipeg, Edmonton and their agents: Canadian Imperial Bank of Commerce, Charlottetown, Halifax, Saint John, Regina and Vancouver; The Detroit Bank and Trust Company, Detroit, Michigan, U.S.A.

AUDITORS

Clarkson, Gordon & Co.

ANNUAL MEETING

Royal York Hotel, Toronto, June 4, 1970

The pages in this report are printed on paper made by The E. B. Eddy Company

Year In Review

Introduction

In January of 1928, George Weston Limited was incorporated by W. Garfield Weston to acquire the bakery business started by his father, George Weston, in 1882.

In its first year of operation as an incorporated company profits were $168,000 and total assets were approximately $2,000,000.

Today, earnings of $15,489,000 are derived not only from bakery products but from seven major divisions operating throughout North America and having combined assets of $437,120,000.

During the period from incorporation the Company has earned a profit every year and has paid dividends on a regular basis without interruption for 40 years.

George Weston Limited is proud of its record. It is also proud that it performs a necessary and valuable service—that of making available to the consumer a large number of low cost consumable goods, especially food.

The goal of George Weston Limited is to ensure that the quality of its products and service is of the highest order and that these products and service are offered to the consumer at the lowest possible cost consistent with the Company realizing a fair return on its investment. Every effort will be directed to achieving this goal.

Directors

W. GARFIELD WESTON
Chairman of the Board
George Weston Limited

W. GALEN WESTON
Vice-Chairman of the Board
George Weston Limited
Chairman
Power Super Markets (Ireland)

G. E. CREBER
President and Managing Director
George Weston Limited

W. C. R. JONES
President
Eddy Paper Company Limited

F. CLIFFORD LENNOX
President
Somerville Industries Limited

V. F. MACLEAN
President
Kelly, Douglas & Company, Limited

GEORGE C. METCALF
President
Loblaw Companies Limited

R. I. NELSON
President
British Columbia Packers Limited

E. P. RATHGEBER
President
Westfair Foods Ltd.

FRANK A. RIDDELL
President
Weston Bakeries Limited

G. H. WESTON
Chairman
Associated British Foods Limited

Officers

W. GARFIELD WESTON
Chairman of the Board

W. GALEN WESTON
Vice-Chairman of the Board

G. E. CREBER
President and Managing Director

P. F. CONNELL
Vice-President, Finance
and Secretary-Treasurer

D. N. McPHIE
Controller

B. G. CHILDS
Assistant Treasurer

W. GARFIELD WESTON, Chairman of the Board, George Weston Limited

Report to Shareholders

On behalf of the Board of Directors of George Weston Limited and its consolidated subsidiaries, the Annual Report for the year ended December 31, 1969 is presented herewith.

This report shows that sales increased from $729.9 million to $931.9 million while earnings from operations per common share increased from $1.11 per share to $1.33 per share.

Under the heading Review of Operations, there is a more detailed discussion of these results and of the more important events of the year. Following the financial statements, there is a description of the various Divisions comprising George Weston Limited.

The improvement in results in 1969 was obtained in spite of an increasingly difficult economic climate, particularly during the last quarter of the year, and in spite of certain other events, namely a strike of meat cutters at Kelly, Douglas & Company, Limited and the accelerated lowering of tariffs in fine and specialty papers. The increase in results in the face of these obstacles and set backs illustrates the inherent strength of the diversified operations of George Weston Limited.

During the 1969 fiscal year, tight control of the financial resources of the Company and its subsidiaries was maintained. This is illustrated by the improvement in working capital. With its present strong cash position, there is no necessity for your Company to issue additional long-term debt at today's high interest costs in the near future.

The 1969 fiscal year saw the acquisition of Brown Forest Industries Limited and Eastern Fine Paper Inc. which add considerable strength to our Forest Products Division. Newly organized Mastico Industries Ltd., 50% owned by Somerville Industries Limited, commenced production of automotive sound insulating materials broadening the Packaging Division's participation in the automotive market. The acquisition of Johnson Biscuit Company of Sioux City, Iowa enhances the Company's biscuit operations in the United States. Plans were developed for

GEORGE WESTON LIMITED FINANCIAL HIGHLIGHTS	1969	1968
Sales	$ 931,857,000	$ 729,889,000
Net income	15,489,000	23,161,000
Income from operations	15,432,000	13,076,000
Cash flow	29,560,000	36,457,000
Working capital	105,068,000	94,906,000
Working capital ratio	1.98 to 1	1.93 to 1
Dividends	9,113,000	9,132,000
Total assets	437,120,000	396,954,000
Per common share:		
Net income	1.33	2.04
Income from operations	1.33	1.11
Dividends	.75	.75

integration of production facilities of Willards Chocolates Limited and William Neilson Limited and the implementation of this will result in savings in production costs commencing in 1970.

Following the last Annual Meeting, your Board of Directors appointed Mr. W. Galen Weston as Vice-Chairman of the Board. His appointment adds strength to the Weston organization and continuity of the Weston family interest. During the year, other executive changes were made within the Divisions, improving the depth and quality of management. Among such changes were the appointment of Mr. Robert C. Shropshire as President and General Manager of William Neilson Limited and the appointment of Mr. John C. Scarth as Executive Vice-President of Eddy Paper Company Limited. The results of any Company are heavily dependent upon its employees. Our thanks go to all employees for their efforts and accomplishments on behalf of the Company.

The start of the 1970 year contains much economic uncertainty. Interest rates and costs remain very high and there are some indications of an economic slow down. Despite this, we are confident that your Company is in a position to withstand such economic difficulties and to produce over the whole 1970 fiscal period improved results.

On behalf of the Board,

D. E. Barber

President and Managing Director

Toronto, Canada
May 6, 1970

Review of Operations

SALES (in millions of dollars)	1969		1968	
Division		%		%
Bakery & Confectionery	$157.2	16.5	$140.5	18.9
Chocolate & Dairy	45.7	4.8	45.5	6.0
Fisheries	109.5	11.4	101.1	13.6
Forest Products	88.4	9.3	55.8	7.5
Packaging	45.3	4.7	43.7	5.9
Wholesale & Retail	510.1	53.3	357.8	48.1
Inter-Company Sales	(24.3)		(14.5)	
	$931.9	100.0	$729.9	100.0

The operations of George Weston Limited and its subsidiary companies have been classified for purposes of presentation into the following Divisions:

Consolidated Divisions
- Bakery & Confectionery
- Chocolate & Dairy
- Fisheries
- Forest Products
- Packaging
- Wholesale & Retail

Non-Consolidated Division
- Loblaw

The major companies in the Weston Group are graphically portrayed on the chart on the inside back cover of this Report and narratively described in the pages following the financial statements.

During 1969, there were three significant acquisitions — Eddy Forest Products Limited (formerly Brown Forest Industries Limited), Eastern Fine Paper Inc. and Johnson Biscuit Company, more complete descriptions of which are contained in the section dealing with corporate changes.

SALES

Consolidated sales of $932 million are the highest in the Company's history and represent an increase of almost 28% over the previous year. Part of this increase was due to the inclusion of sales of new acquisitions and when these are excluded, the increase was approximately 6% over 1968.

Sales of all Divisions were higher, as disclosed in the accompanying table.

EARNINGS

Income from operations amounted to $15.4 million ($1.33 per common share); compared with $13.1 million ($1.11 per common share) achieved in 1968 — a 20% increase per common share.

After taking into account extraordinary items, net income for the year was $15.5 million ($1.33 per common share) compared with $23.2 million ($2.04 per common share) in 1968. Extraordinary items in 1968 included a profit of $9.4 million (86¢ per common share) relating to the sale of the remaining portion of the shares of Fine Fare (Holdings) Limited.

As disclosed in the notes to the financial statements, there have been changes in an accounting principle and statement presentation on the advice of the Company's auditors. Comparative figures for 1968 in the financial statements have been restated for the changes in presentation.

While income from operations increased $2.4 million, it represented 1.7% of the sales dollar as compared with 1.8% in 1968. This is partly attributable to the change in mix of

business with a greater proportion being in the traditionally low margin Wholesale & Retail Division and partly attributable to the general narrowing of margins resulting from increased costs in the face of a price resistant economy. All Divisions operated on a profitable basis. Net income represented a return of approximately 10% on shareholders' equity of $156 million.

Throughout the various Divisions, close attention is being given to product and customer profitability which will result in changes in emphasis and refinements designed to improve profit margins and return on investment. While conditions in the economy will increase the difficulty of realizing these objectives, your management is optimistic of achieving progress in the Company's diversified operations in the coming year.

BAKERY & CONFECTIONERY

Sales of the Bakery & Confectionery Division of $157.2 million were 12% ahead of last year and represent 16.5% of total Weston sales. This profitable Division continued in its program of improved and expanded production and distribution facilities which serve tens of thousands of retail and wholesale outlets and institutions in Canada and the United States.

On April 1, 1969, the Johnson Biscuit Company of Sioux City, Iowa, U.S.A., was purchased from a subsidiary of Loblaw Companies Limited to provide production facilities in the mid-west United States.

While there were no serious interruptions in production due to strikes, many union contracts were negotiated with substantial wage and fringe benefit settlements. In common with other companies in the industry, this is a major factor creating increased costs in a fiercely competitive consumer market resistant to price increases. Concerted efforts are being made to implement cost reduction programs and other refinements in the business to ensure satisfactory results.

In the fall of 1969, it was reported that Weston Bakeries would become the major supplier of bakery products to Loblaw Groceterias. This arrangement will be completely implemented by May of 1970 and will contribute a material increase to the production and sales of this Division.

CHOCOLATE & DAIRY

The Chocolate & Dairy Division, with sales of $45.7 million, represents just under 5% of consolidated sales. Sales and profits were slightly ahead of the previous year. 1969 was a year of significant change within this Division, the beneficial results of which are already being felt in 1970. The appointment of a new President at Neilson's, together with other key management replacements are directed towards the revitalization of this Company which holds not only a prominent share of the Canadian market, but also has an increasing sales volume in the United States. As part of a program to increase efficiency, the production requirements of Willards have been transferred to Neilson's, effective at the beginning of 1970, and the manufacturing plant of Willards closed. Willards continues to develop its own product lines and to market them under its own name and quality control.

FISHERIES

The Fisheries Division, consisting of British Columbia Packers Limited and Connors Bros. Limited had combined sales of $109.5 million, up over 8% from 1968. This Division accounts for slightly better than 11% of consolidated Weston sales.

Income from operations of B.C. Packers improved over the previous year's level despite the fact that salmon landings in British Columbia were the lowest since 1960. This was possible mainly because of increased herring meal production and firmer prices for most products. Continuing emphasis is being placed on the development of new fish products and convenience foods which are gaining popularity. It

is expected that the Company will continue to benefit from an increasing per capita consumption of fish in North America and the growth of the frozen food and institutional markets. After lengthy negotiation, without labour interruption, agreements were reached on wages and net-caught salmon prices for a two year period ending in 1971. Expectations are for a record pack of salmon in British Columbia in 1970 and this should move into distribution channels quickly because of current short supplies.

Sales and profits of export-oriented Connors Bros. showed marked improvement over 1968. This resulted from better demand and prices for canned sardines (Connors Bros. being the only Canadian producer), groundfish, fish meal and fish oil. The processing of shrimp and crab meat was commenced during the year for the first time and added to both sales and profits.

FOREST PRODUCTS

Sales of $88.4 million in this Group of Companies account for slightly more than 9% of consolidated sales and were almost 60% greater than the previous year. A substantial part of this increase was the result of the acquisition from Brown Company of New York of the Canadian operations of Brown Forest Industries (renamed Eddy Forest Products Limited) with pulp and paper mills at Espanola, Ontario and converting plants in Hamilton and Montreal. In addition, sales were augmented by the acquisition late in the year of Eastern Fine Paper Inc. of Brewer, Maine.

Profits reflected better conditions in the industry and showed growth during the year despite costs and expenses associated with the two acquisitions. A program is under way to bring these new subsidiaries to a satisfactory profit level and integrate them with the other paper operations.

The fine paper tariff reductions announced without notice by the Federal Government have created profit pressures in this element of the business. Increased domestic postal rates lowered fine paper consumption for publications and advertising material distributed through the mails. Reorientation of fine paper product lines and a deeper penetration of the United States market, primarily through Eastern Fine Paper Inc., are expected to produce more favourable operating results. An assessment of the demand and supply of pulp would indicate a strong and profitable marketing environment.

PACKAGING

Somerville Industries Limited, with sales of $45.3 million in 1969, represented just under 5% of total corporate sales. Two-thirds of this Company's sales are in packaging and the remainder are in automotive trim, advertising displays, plastics, games and novelties.

While income from operations of $1.5 million was down from 1968, it represented a return of approximately 12% after income taxes on the shareholders' equity. The main cause of reduced profitability was a significant decline in the sales of the automotive division, reflecting cut-backs in auto production.

WHOLESALE & RETAIL

The sales of this Division, amounting to $510 million in 1969 were over 50% of total sales and represent an increasingly larger proportion of consolidated sales. Part of the increased sales are due to the full year's inclusion of Kelly, Douglas and Company Limited which was acquired during 1968; after taking this into account, sales of the Division increased by approximately 6%.

This Division contributed a larger amount to income from operations in 1969 because of the full year's effect of Kelly, Douglas and a substantial improvement in profitability of Westfair Foods Ltd.

The results of Kelly, Douglas and Company Limited were marred by a thirteen week strike, temporarily closing thirty of the Company's corporate retail stores. This detracted from the profitability of the retail operations. The wholesale, manufacturing, catering and other operations of the Company reflected improved results. Heavy concentration is being given to pricing, cost improvement and control measures and adjustment to business operations to improve profits to a satisfactory level.

Westfair Foods Ltd. enjoyed the best year in its history, achieving record sales and profits in spite of increasing cost pressures. As part of its program to improve profit performance through cost reduction and efficiency, a modern warehouse, office and computer facility in Winnipeg was completed in 1969.

In recent years, the retail industry has generally operated with unsatisfactory profit margins and it is the intention of your management to place emphasis on improving these to a level commensurate with the investment.

LOBLAW

As indicated in the notes to the financial statements, your Company owns a controlling interest in the Class "B" voting shares of Loblaw Companies Limited and slightly less than 50% of all participating stock.

Income from operations from the Loblaw Division reflects the dividend of $2.4 million received during the year. This was less than your Company's share of Loblaw's profits for the year ended March 29, 1969. Consolidated sales of the Loblaw Division, directly or through its subsidiaries throughout North America, were almost $2.5 billion. Subsequent interim reports indicate an improving level of profitability.

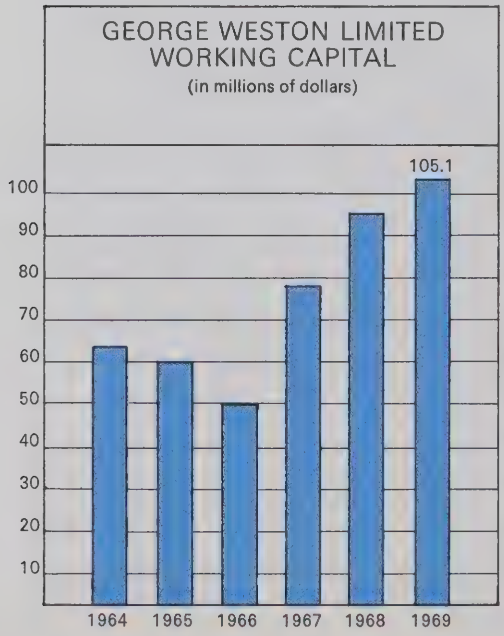
DIVIDENDS

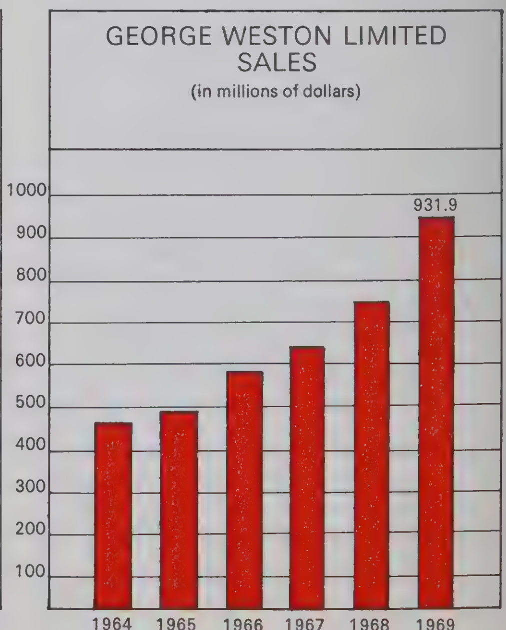
Quarterly dividends totalling 75¢ per share were paid on the common shares during the year (unchanged from 1968). The regular dividends of $4.50 per share and $6.00 per share respectively were paid on the first and second series of preferred shares.

CORPORATE CHANGES

In April, 1969 Eddy Paper Company Limited purchased the Canadian operations of Brown Forest Industries Limited. This Company has large timber limits and a pulp and paper mill at Espanola, Ontario, as well as paper converting plants in Hamilton and Montreal. At the time of acquisition, the Company was operating unprofitably and was purchased on what is considered favourable financial terms. The purchase price was approximately $30 million, payment for which is being made over the next twenty years with no payments until 1975 and interest at 7%. This new acquisition will increase the supply of internally produced pulp and thereby create a better balance between pulp supply and paper machine requirements.

In November of last year, Eddy Paper Company Limited, through our holding company subsidiary in the United States, acquired majority control of Eastern Fine Paper Inc. This long established Company in the fine paper field, with well accepted brand lines in the United States market, will provide an





accelerated opportunity for marketing of fine paper produced by Eddy's Canadian operations. This Company was also in an unprofitable operating condition when majority control was purchased for a price of approximately $2,750,000.

Eddy Paper management is confident that these operations can be quickly brought into a profitable state and at the same time enhance the operating results of the basic pulp and paper business.

Johnson Biscuit Company was purchased from a subsidiary of Loblaw Companies Limited in March, 1969 for approximately $3,250,000. This profitable Company will increase the market position of the Bakery & Confectionery Division in the United States.

CAPITAL EXPENDITURES

After taking into consideration fixed assets acquired with acquisitions ($23 million) outlays for replacement and modernization of plant and equipment amounted to an additional $17.5 million. No individual major expenditures were made, heavy emphasis being upon cost improvement programs. Depreciation charged to operations during the year amounted to $15.8 million.

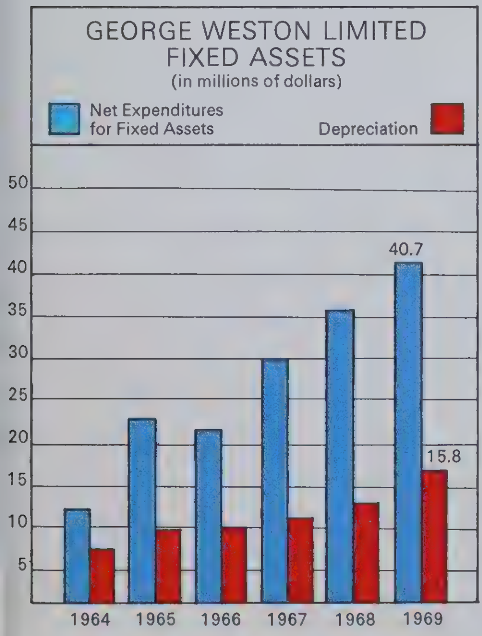
FINANCIAL POSITION

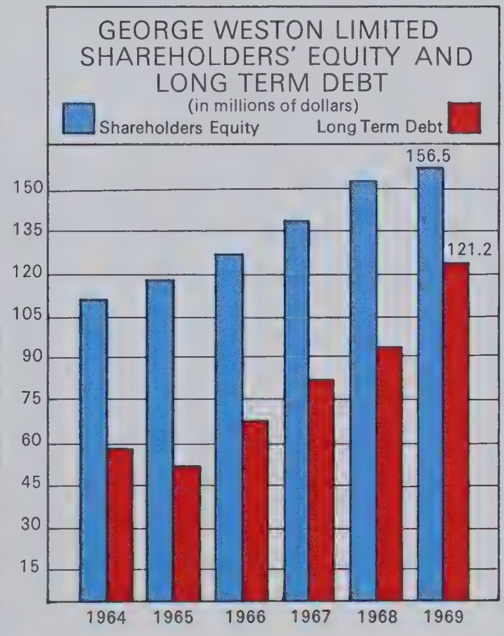
Working capital reached a record $105 million at December 31, 1969, or $10 million greater than the previous year. In 1969, as disclosed in the notes to the financial statements, properties held for sale are no longer classified as current assets. Had this change not been made, working capital would have been over $109 million. The ratio of current assets to current liabilities was 1.98 to 1 at the end of 1969, up from 1.93 to 1 at the end of 1968.

There was an increase in long-term debt of approximately $28 million, most of which related to the debt assumed on the acquisition of Eddy Forest Products Limited.

TOTAL ASSETS

Total assets amounted to $437 million, an increase of $40 million during the year. A large proportion of this increase related to the new acquisitions.





Consolidated Financial Statements

Consolidated Statement of Income

GEORGE WESTON LIMITED

Year ended December 31, 1969
(in thousands of dollars)

	1969	1968
SALES AND OTHER INCOME:		
Sales	$931,857	$729,889
Dividends from non-consolidated subsidiaries	2,408	2,311
Other investment income (including income from affiliated companies; 1969 — $368; 1968 — $798)	2,107	932
	936,372	733,132
COSTS AND EXPENSES:		
Cost of sales, selling and administrative expenses (before the following items)	878,732	685,258
Depreciation	15,752	12,581
Interest on long-term debt	7,102	5,210
Other interest	4,080	3,254
	905,666	706,303
INCOME FROM OPERATIONS BEFORE INCOME TAXES, minority interests and extraordinary items	30,706	26,829
INCOME TAXES (note 1(c))	13,049	11,957
	17,657	14,872
MINORITY INTERESTS	2,225	1,796
INCOME FROM OPERATIONS BEFORE EXTRAORDINARY ITEMS	15,432	13,076
EXTRAORDINARY ITEMS (note 1(c)):		
Income tax reductions resulting from application of losses of prior years in certain subsidiary companies	926	677
Profits and (losses) of a non-recurring nature on disposal of capital assets	(869)	9,408
NET INCOME FOR THE YEAR	$ 15,489	$ 23,161
PER COMMON SHARE:		
Income from operations before extraordinary items	$ 1.33	$ 1.11
Net income	$ 1.33	$ 2.04

Consolidated Balance Sheet

GEORGE WESTON LIMITED
as at December 31, 1969
(in thousands of dollars)

ASSETS

	1969	1968
CURRENT ASSETS:		
Cash	$ 9,608	$ 5,024
Accounts receivable (note 2)	66,297	57,562
Inventories, at the lower of cost and market —		
Raw materials and supplies	44,813	41,371
Finished goods	88,018	89,274
Prepaid expenses	4,074	3,821
	212,810	197,052
INVESTMENTS and other assets, at cost:		
Shares in subsidiary companies not consolidated (note 3)	22,950	27,872
Secured loans and advances (note 10)	6,989	5,251
Sundry investments (note 3)	4,619	5,086
Properties held for sale	4,156	3,266
Excess of cost of shares of subsidiaries over fair value of net assets acquired (note 1 (b))	2,205	
	40,919	41,475
FIXED ASSETS, at cost:		
Land and buildings	93,851	82,068
Machinery and equipment	293,905	226,536
	387,756	308,604
Less accumulated depreciation	204,365	150,177
	183,391	158,427
	$437,120	$396,954

On behalf of the Board:

W. Garfield Weston, Director
G. E. Creber, Director

LIABILITIES

	1969	1968
CURRENT LIABILITIES:		
Bank advances and notes payable (note 4)	$ 27,836	$ 33,764
Accounts payable	66,529	57,000
Taxes payable	7,226	5,638
Dividends payable	2,045	2,045
Long-term debt payable within one year	4,106	3,699
	107,742	102,146
LONG-TERM DEBT (note 5)	121,175	93,328
DEFERRED ITEMS:		
Deferred income taxes	18,632	24,794
Deferred real estate income (note 6)	1,342	1,548
Excess of fair value of net assets acquired over cost of shares of subsidiaries (note 1(b))	4,885	
	24,859	26,342
MINORITY INTERESTS IN SUBSIDIARIES	26,869	24,843
SHAREHOLDERS' EQUITY:		
Preferred shares (note 7)	17,980	18,176
Common shares (note 7)	19,123	19,123
Retained earnings (note 8)	119,372	112,996
	156,475	150,295
	$437,120	$396,954

Consolidated Statement of Retained Earnings

GEORGE WESTON LIMITED

Year ended December 31, 1969
(in thousands of dollars)

	1969	1968
RETAINED EARNINGS at beginning of year	$112,996	$ 97,991
Add:		
Net income for the year	15,489	23,161
Net excess of book values at dates of acquisitions over cost of shares and assets acquired (note 1 (b))		976
	128,485	122,128
Deduct:		
Dividends declared —		
Preferred shares:		
First series ($4.50 per share)	457	472
Second series ($6.00 per share)	474	478
	931	950
Common shares (75¢ per share)	8,182	8,182
	9,113	9,132
RETAINED EARNINGS at end of year	$119,372	$112,996

Consolidated Statement of Source and Application of Funds

GEORGE WESTON LIMITED

Year ended December 31, 1969
(in thousands of dollars)

	1969	1968
SOURCE OF FUNDS:		
From operations —		
Net income for the year	$ 15,489	$ 23,161
Add (deduct):		
Depreciation	15,752	12,581
Deferred income taxes	(754)	947
Amortization of differences between cost of shares of subsidiaries and fair value of net assets acquired	(721)	
Amortization of deferred real estate income	(206)	(232)
	29,560	36,457
Proceeds of sale of shares of Fine Fare (Holdings) Limited		16,770
Less profit on disposal included in income		9,408
		7,362
Net increase in long-term debt	27,847	6,860
Excess of fair value of net assets acquired at dates of acquisitions over cost of shares	3,401	976
Net decrease in investments and properties held for sale, excluding Fine Fare (Holdings) Limited	2,761	1,240
Increase in minority interests in subsidiaries	2,026	8,503
	65,595	61,398
APPLICATION OF FUNDS:		
Increase in fixed assets (net of disposals)	40,716	34,359
Change in deferred income tax arising on acquisition of subsidiaries	5,408	(1,006)
Preferred shares purchased for cancellation	196	373
Dividends to shareholders	9,113	9,132
	55,433	42,858
INCREASE IN WORKING CAPITAL	10,162	18,540
WORKING CAPITAL beginning of year	94,906	76,366
WORKING CAPITAL end of year	$105,068	$ 94,906

Notes to Consolidated Financial Statements

GEORGE WESTON LIMITED December 31, 1969

1. BASIS OF CONSOLIDATION AND ACCOUNTING PRESENTATION—

(a) The consolidated financial statements include the accounts of all subsidiary companies except those of Loblaw Companies Limited and its subsidiary companies. Although George Weston Limited has voting control of Loblaw Companies Limited through ownership of 59.1% of that company's outstanding class B voting shares, the Weston holding of the combined class A non-voting shares and class B voting shares is less than a majority of the total participating shares outstanding. In addition, there are substantial minority interests in the Loblaw subsidiary companies themselves. In these circumstances, it is felt that consolidation of the Loblaw accounts with those of Weston would not be appropriate or meaningful.

The following information has been extracted from the audited consolidated financial statements of Loblaw Companies Limited for the fifty-two weeks ended March 29, 1969:

	(in thousands of dollars)
Working capital	$ 114,152
Total assets	546,513
Minority interests in subsidiaries	114,787
Shareholders' equity	118,730
Sales	2,452,623
Income before special items	6,034
Net income	7,360

George Weston Limited's proportion of the above net income (after eliminating gains on inter-company transactions) was $2,657,000 of which $2,408,000 was received by way of dividend and is reflected in the consolidated statement of income. The company's proportion of the undistributed consolidated earnings of Loblaw Companies Limited earned since acquisition is approximately $33,185,000.

(b) In previous years the company followed the practice of charging or crediting to retained earnings the difference between the cost of its investment in consolidated subsidiaries and the book value of the subsidiaries' net assets at the time of acquisition. During the year, on the recommendation of the company's auditors, this practice was changed. For subsidiaries acquired subsequent to January 1, 1969, the policy was adopted of allocating a portion of the difference to specific assets and liabilities in order to increase or reduce them to estimated fair value, and of setting up the remainder on the balance sheet as a deferred charge or deferred credit to be amortized by annual charges or credits to future income.

In line with this new policy the excess of cost of investment in subsidiaries acquired in 1969 over the estimated fair value of their net tangible assets is being amortized and charged to income over a maximum of twenty years. In the case of one subsidiary acquired during the year the fair value of net tangible assets exceeded the cost of the investment; such excess is being amortized and credited to income over five years, this being the estimated period necessary to achieve the full economies of integration, during which a higher level of costs is anticipated. For the year 1969 these amortization charges and credits resulted in a net credit to income of $721,000 (included in "Cost of sales, selling and administrative expenses").

(c) In line with recent recommendations of the Accounting and Auditing Research Committee of the Canadian Institute of Chartered Accountants the 1969 financial statements reflect as "extraordinary items"—

(a) Profits and losses of a non-recurring nature on disposal of investments or other capital assets which are not typical of the company's normal business activities.

(b) Income tax reductions resulting from the carry forward for tax purposes of prior years' losses. (In previous years such amounts were applied as reductions of income tax expense).

The 1968 figures submitted for comparison have been restated on the same basis. Certain other immaterial changes in statement presentation, including the reclassification of properties held for sale as a non-current asset, have been made and the 1968 comparative figures have been restated accordingly.

2. ACCOUNTS RECEIVABLE—

Accounts receivable include a net amount of $1,072,000 (1968—$3,732,000) arising from trade and other current transactions with subsidiaries not consolidated.

3. INVESTMENTS—

Shares in subsidiary companies not consolidated consist of shares in Loblaw Companies Limited having a quoted market value of approximately $36,000,000 at December 31, 1969. Because of the number of shares involved and the fact that the securities

represent control of the companies concerned, the amounts that would be realized if these securities were to be sold may be considerably more or less than their indicated market value.

Sundry investments include shares and bonds costing $1,625,000 with quoted market values of $2,018,000 at December 31, 1969. Realizable value of the remainder of sundry investments is estimated to be not less than cost.

4. BANK ADVANCES AND NOTES PAYABLE—

Bank indebtedness of certain subsidiary companies of approximately $18,000,000 (including $4,000,000 in long-term debt) is secured by a pledge of accounts receivable and inventories of these companies.

5. LONG-TERM DEBT—

	Payable within one year	Total
George Weston Limited—		
Series B—4¾% Sinking fund debentures due October 15, 1971	$ 350,000	$ 5,450,000
Series C—5¼% Sinking fund debentures due May 15, 1982	525,000	11,325,000
Series D—5½% Sinking fund debentures due May 15, 1983	525,000	11,850,000
Series E—6¾% Sinking fund debentures due July 15, 1986	350,000	8,950,000
Series F—6¾% Sinking fund debentures due June 1, 1987		25,000,000
	1,750,000	62,575,000
Eddy Paper Company Limited—		
First Mortgage Bonds:		
1954 Series—4% Sinking fund bonds due October 1, 1974	300,000	6,000,000
1955 Series—4% Sinking fund bonds due June 1, 1975	150,000	3,150,000
1969 Series—7% Sinking fund bonds due April 30, 1989 ($27,000,000 U.S.)		29,066,000
	450,000	38,216,000
Somerville Industries Limited—		
First Mortgage Bonds:		
Series A—5¼% Sinking fund bonds due October 15, 1973	190,000	857,000
Series B—6% Sinking fund bonds due June 15, 1977		1,350,000
	190,000	2,207,000
British Columbia Packers Limited—		
First Mortgage Bonds:		
Series A—6¾% Sinking fund bonds due May 1, 1971	500,000	1,000,000
Series B—6½% Sinking fund bonds due May 1, 1983 ($4,500,000 U.S.)		4,843,000
Series C—6½% Sinking fund bonds due May 1, 1983 ($1,500,000 U.S.)		1,612,000
	500,000	7,455,000
Kelly, Douglas & Company, Limited—		
Series A—6% Sinking fund debentures due November 1, 1977	36,000	1,736,000
Demand note payable, bearing interest at 1% above the prime rate, scheduled quarterly repayments of $125,000 commencing March 31, 1970	375,000	3,000,000
	411,000	4,736,000
Notes, mortgages and other long-term debt	805,000	10,092,000
	$4,106,000	125,281,000
Less payable within one year		4,106,000
Long-term debt		$121,175,000

Instalments of long-term debt payable each year for the next five years are:

1970	$4,106,000	1973	$5,351,000
1971	$11,904,000	1974	$9,444,000
1972	$ 5,155,000		

6. DEFERRED REAL ESTATE INCOME—

The deferred real estate income arises primarily from the proceeds of sales in prior years of certain properties now leased back. It is being transferred to income on a basis which will amortize the total over the terms of the leases which cover a period from 14 to a maximum of 50 years from dates of such sales. The transfer to earnings from operations in 1969 was $206,000.

7. CAPITAL STOCK—

	Number of shares 1969	1968	Amount 1969	1968
Preferred cumulative redeemable shares, par value $100 each, issuable in series:				
Authorized	354,497	354,497		
Less purchased for cancellation	4,697	2,733		
	349,800	351,764		
Issued and outstanding—				
4½% first series, redeemable at a premium of 4%	101,283	102,255	$10,128,000	$10,225,000
6% second series, redeemable at a premium of 5%	78,517	79,509	7,852,000	7,951,000
	179,800	181,764	17,980,000	18,176,000
Common shares, without par value:				
Authorized	16,950,000	16,950,000		
Issued	10,909,357	10,909,357	19,123,000	19,123,000
			$37,103,000	$37,299,000

8. RETAINED EARNINGS—

In compliance with Section 61 of the Canada Corporations Act, retained earnings of $470,000 are designated as capital surplus arising on the redemption of preferred shares.

The trust indentures, under which long-term debt is outstanding, contain certain restrictions relating to the payment of dividends.

9. COMMITMENTS AND CONTINGENT LIABILITIES—

(a) The aggregate minimum rentals under long-term leases (extending beyond five years from the balance sheet date) in effect at December 31, 1969 are as follows for each of the five year periods shown:

1970—1974	$25,902,000	1985—1989	$11,838,000
1975—1979	21,538,000	1990—1994	5,106,000
1980—1984	15,514,000	After 1994	3,518,000

Rentals paid in 1969 under long-term leases amounted to $5,764,000.

(b) Contingent liabilities, relating mainly to third party guarantees, amount to approximately $6,000,000.

10. STATUTORY INFORMATION—

The aggregate remuneration received by the directors of the company as directors, officers or employees of the company or its consolidated subsidiaries was $593,000 and non-consolidated subsidiaries was $61,000.

Secured loans and advances include an amount of $387,000 owing by a director for the purchase of shares in British Columbia Packers Limited.

Clarkson, Gordon & Co.
Chartered Accountants

AUDITORS' REPORT

To the Shareholders of George Weston Limited:

We have examined the consolidated balance sheet of George Weston Limited and consolidated subsidiary companies as at December 31, 1969 and the consolidated statements of income, retained earnings and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at December 31, 1969 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles. These principles, except for the change in the basis of accounting for goodwill (which we approve) referred to in note 1 (b), have been applied on a basis consistent with that of the preceding year after giving retroactive effect to the changes in accounting presentation referred to in note 1 (c).

Clarkson, Gordon & Co

Toronto, Canada
March 20, 1970.

Chartered Accountants

Description of Divisions

Bakery and Confectionery Division

George Weston Limited
Operating Division
Weston Bakeries Limited
McCormick's Limited
Paulin Chambers Co. Ltd.,
Marven's Limited
George Weston Inc. (U.S.)

The Bakery & Confectionery Division was the founding Division of George Weston Limited, having its origins shortly after Confederation when Mr. George Weston entered the bakery business in a very small way. From these early beginnings, the business grew, diversifying into biscuits at the turn of the century and into the candy business in the late twenties. Today, this Division operates both in Canada and the United States with twenty-six manufacturing plants and fifty sales branches and warehouses producing and distributing over 1,200 varieties of packaged foods. The Division employs over 6,800 people. Part of its modern distributing system includes a fleet of over 1,000 vehicles equipped to provide customer service to the many thousands of retail, wholesale and institutional accounts. The manufacturing operations utilize modern and automated ovens, enrobers, confectionery equipment and a wide variety of packaging machinery designed to optimize efficiency and capacity at each location.

George Weston Limited, Operating Division, produces a wide range of crackers, sweet biscuits and candy at its installations in Longueuil, Quebec and a full range of sugar confectionery at its plant in Brantford, Ontario. Wagon Wheels, Wheatos, Stoned Wheat Thins, Honey Grahams and Digestive are among the popular varieties distributed through sales branches in Vancouver, Edmonton, Regina, Winnipeg, London, Toronto, Montreal and Moncton.

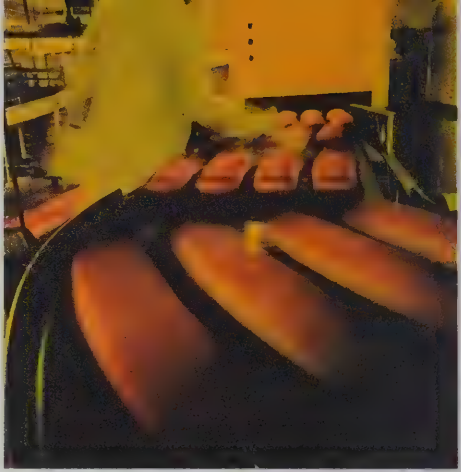
Weston Bakeries Limited operates bread, roll and cake bakeries in Vancouver, Calgary, Edmonton, Regina, Winnipeg, Essex, Kitchener, Toronto, Kingston, Sudbury, Kirkland Lake and Montreal. A subsidiary, Lane's Bakeries Limited, is headquartered in Moncton, N.B. Products are distributed through 25,000 grocery and other outlets in all Provinces of Canada. In addition to Weston and Lane brands, it produces many products under private labels.

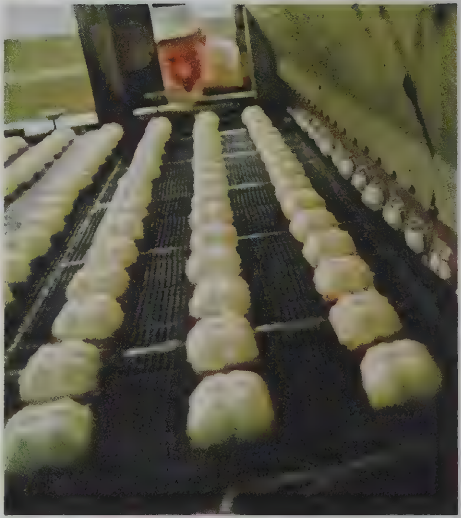
McCormick's Limited produces crackers, sweet biscuits, ice cream cones and confections and other food products at its two plants in London, Ontario with sales from coast to coast in Canada.

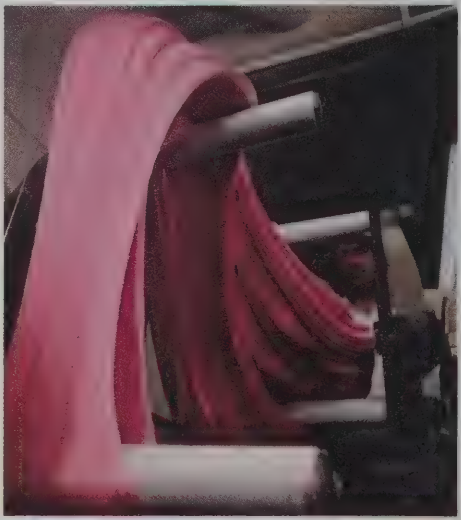
Paulin Chambers Co. Ltd. is Western Canada's leading producer of crackers, sweet biscuits and confectionery. From its large plant in Winnipeg, Manitoba, it serves the West through sales branches located in Saskatoon, Edmonton and Vancouver.

The Division also participates in the Maritimes and Quebec biscuit markets through Marven's Limited of Moncton, New Brunswick and its subsidiary G. J. Hamilton & Sons Ltd., of Pictou, Nova Scotia—traditional names in this area.

George Weston Inc. is a holding company for subsidiaries Weston Biscuit Co. Inc., American Biscuit Company, Southern Biscuit Company and Johnson Biscuit Company, all operating in the United States. These companies are principally engaged in the production and distribution of biscuits, cones, and other bakery and confectionery products with plants at Richmond (Virginia), Passaic (New Jersey), Tacoma (Washington) and Sioux City (Iowa).







Chocolate and Dairy Division

William Neilson Limited
Eplett Ice Cream Limited
Willards Chocolates Limited
Devon Ice Cream Limited

The combined sales of the Companies within this Division represent a substantial factor in the Canadian market. In chocolate bars, they have the largest share of the market, their major competition being from foreign owned suppliers. In the Province of Ontario, they are a leading producer of ice cream products.

As of January 1, 1970, the manufacture of Willards Chocolates Limited products was integrated with that of William Neilson Limited at the Neilson plant in Toronto. By combining these two operations we now have one of the finest equipped confectionery plants in the country, capable of greatly increased production and a most extensive line of high quality products. Except for the integration of manufacturing, Willards and Neilson's remain separate organizations.

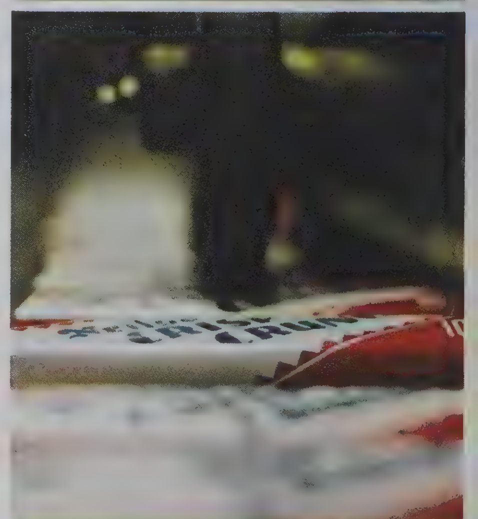
William Neilson Limited, Toronto, Ontario, and its subsidiary Eplett Ice Cream Limited operate four plants and employ approximately 1,300 people. Production operations are located in Toronto, Beachville, New Liskeard and Timmins, Ontario for the manufacture of confectionery, ice cream, processed milk and other associated products.

The Confectionery Division constitutes the Company's largest category in terms of sales and profits. Within this Division, the 10¢ bars account for 65% of the Division's volume. Leaders such as Crispy Crunch, Malted Milk, Jersey Milk, Virginia and Chocolate Chunks hold a major position in the Canadian market. Neilson chocolate bars are also exported to the United States where "Nutty" is rated the largest selling 10¢ imported item on the market.

Eplett Ice Cream Limited is supported by branch sales offices and warehouses throughout Ontario. The Division controls approximately 6,000 retail installations with emphasis on quality grade ice cream. Stick novelties are also produced, as well as a sizeable volume under private labels.

Willards Chocolates Limited, Toronto, is another major chocolate and candy supplier in Canada and the United States with branch offices in Montreal and Moncton. It is the creator of the famous Sweet Marie nut roll chocolate bar. In addition, it markets bulk and packaged chocolates and a range of hard candies and other confectionery items.

Devon Ice Cream Limited, with approximately 100 employees, enjoys an excellent reputation for quality products throughout Ontario. Devon manufactures a wide variety of ice cream and frozen novelties in Toronto for distribution to grocery chain and Devon-franchised outlets. Nassau Dairy Products Limited, a subsidiary of Devon, is a supplier of branded lines of frozen novelties and ice cream products.



Fisheries Division

British Columbia Packers Limited
Nelson Bros. Fisheries Limited
Rupert Fish Company, Inc.
Connors Bros., Limited
H. W. Welch Limited
Lewis Connors & Sons Ltd.

Through this Division, Weston's is a major participant in the Canadian fish industry with operations on both the Atlantic and Pacific coasts.

British Columbia Packers Limited and its principal subsidiaries Nelson Bros. Fisheries Limited and Rupert Fish Company, Inc. are engaged in the catching, processing and marketing of a wide range of fish and other seafood products. Because of the nature of the fishing industry, employment varies seasonally, averaging more than 2,500 persons. In addition, more than 4,000 fishermen on both coasts deliver their catches to the Company.

British Columbia Packers Limited itself produces and sells canned, fresh and frozen salmon, frozen halibut and other semi-prepared frozen fish products. Marketing its canned products under the Clover Leaf label, the Company has the largest share of the domestic market for these products as well as a substantial and growing proportion of the domestic frozen seafood market under the Rupert Brand label. Export sales are made through brokers to some thirty-five countries around the world including large sales to England and the United States. The Company operates a large fleet of salmon boats along the British Columbia coast with numerous camps and servicing facilities. Major processing facilities are located at Richmond, Namu, Prince Rupert and Victoria, B.C., Clark's Harbour and Lower East Pubnico, Nova Scotia; Sandy Beach, Quebec; Harbour Breton and Isle aux Morts, Newfoundland.

Nelson Bros. Fisheries Limited, Vancouver, B.C., is a major producer of canned, fresh and frozen salmon, canned and frozen crab and herring meal and oil. It sells through brokers to important export markets and domestically under the Paramount label. It also operates a large and efficient fleet of salmon boats.

The Rupert Fish Company Inc., Seattle, Washington, is engaged in the production and sale of fresh and frozen fresh water and seafood products in the United States. It maintains sales offices in New York, Chicago, San Francisco and Los Angeles, selling under the Rupert Brand and Certi-Fresh labels.

Connors Bros. Limited, together with its subsidiary companies, employs 2,000 people and accounts for 100% of the canned sardine production in Canada, with nine canneries in New Brunswick. Production of canned fish is approximately 1,500,000 cases annually, marketed under such brand names as Brunswick, Jutland, Glacier, Haven and Old Salt. Other consumer products include fillets of cod, sole, perch and haddock, as well as specialty canned products such as fish cakes, fish chowder and kippered snacks. Reduction plants for the manufacture of byproducts, fishmeal and fish oil are operated at each of the canneries and fillet plants. A new plant at Shippegan, N.B. is engaged in the production of fishmeal and fish oil from Gaspe herring. It maintains a fleet of thirty sardine boats and three draggers and its own shipyard to build and service them.

More than half the Company's sales are exported to the Caribbean, U.S.A., Great Britain and Europe.

Related operations include the manufacture of cans at Black's Harbour for all its processing factories, five retail stores in New Brunswick and a lumber mill supported by sizeable timber limits.

Forest Products Division

Eddy Paper Company Limited
The E. B. Eddy Company
J. E. Boyle Limited
Eddy Forest Products Limited
Eastern Fine Paper, Inc.

Weston's Forest Products Division is headed by a holding company, the Eddy Paper Company Limited. The operating companies of the Division are: The E. B. Eddy Company, J. E. Boyle Limited, Eddy Forest Products Limited and Eastern Fine Paper, Inc.

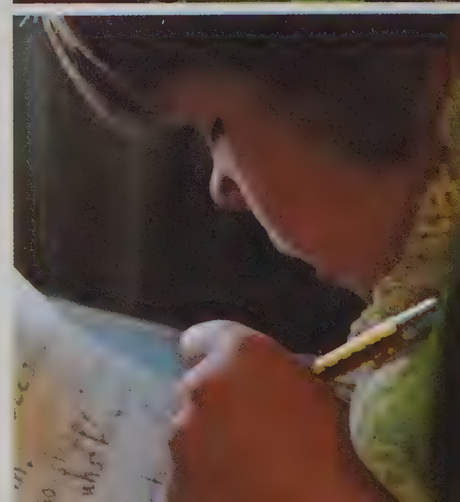
The E. B. Eddy Company was founded in 1851 and has grown from a small sawmill to a large integrated pulp and paper maker with facilities in the Ottawa-Hull area employing in excess of 2,500 persons. It operates two pulp mills with combined capacities of 460 tons per day, 40% of which is ground wood pulp and 60% sulphite pulp. Its paper mills include eleven paper-making machines with daily capacities of 205 tons of newsprint, 215 tons of tissue paper, 375 tons of fine papers and 75 tons of paper board. This includes a huge 175 ton per day fine paper machine called the "Grande Chaudière" which is the most modern of its kind in North America. Future supplies of pulp wood are assured by extensive timber limits of approximately 3½ million acres. Eddy's highly diversified product lines are used in the publishing, converting and printing trades, as well as the home and industry. Fine papers, newsprint and a variety of tissues, serviettes, towels and other similar products are marketed under such well known names as Cheneaux bond, Starbrite, White Swan, Vanity, Capri and Onliwon.

J. E. Boyle Limited is a subsidiary of The E. B. Eddy Company and operates a sawmill at Davidson, Quebec.

Eddy Forest Products Limited at its Espanola, Ontario installations operates a 650 ton per day bleached sulphate pulp mill and three paper machines, producing high quality bleached and unbleached kraft papers. The pulp production of this Company complements the deficiency of pulp production relative to the paper making capacity of The E. B. Eddy Company. These operations are supported by approximately 3¼ million acres of Ontario timber limits strategically adjacent to those of The E. B. Eddy Company.

This Company also operates two paper and paperboard converting plants in Hamilton and Montreal providing flexible and rigid packaging materials for ice cream, frozen foods, meat, bakery and a wide variety of industrial products. These plants also produce the popular Appleford brand paper products for home and industry.

Eastern Fine Paper, Inc., located at Brewer, Maine, is a producer of quality fine papers for the United States market. Together with its favourably accepted brand lines and an extensive distribution organization, it is an important vehicle for the marketing of the Canadian production of Eddy fine papers.



Packaging Division

Somerville Industries Limited
Somerville Automotive Trim Limited
Canadian Folding Cartons Limited

Somerville Industries Limited, directly or through its subsidiaries, operates ten plants in three Provinces and employs 1,400 people. During the eighty-four years since its founding, Somerville has grown to a position of prominence in the Canadian packaging industry. In recent years, it has diversified into plastics, automotive trim, displays, games and novelties.

In London, Ontario, Somerville has one of Canada's largest packaging plants producing folding cartons and set-up boxes, using lithographic, letterpress and flexographic printing processes. The bulk of this plant's varied production is sold in the Ontario market. It includes Pure-Pak milk cartons, shoe boxes, beer cartons and a considerable volume of packaging for the food, hardware and automotive industries.

The Canadian Folding Cartons Limited Division located in Toronto is a major supplier of packaging to manufacturers. Substantial sales are made to beverage companies and the food industry, particularly fish and meat packing.

The Consolith Division in Montreal is one of eastern Canada's largest and most modern packaging facilities. The products of this plant include folding cartons, labels and other forms of packaging which are sold in eastern Ontario, Quebec and the Maritime Provinces. A substantial portion of this Division's output is packaging for the tobacco industry.

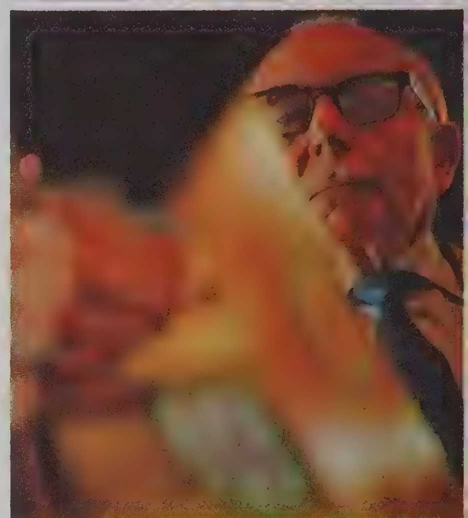
Somerville's Games Division, located in London, Ontario, makes the broadest line of paperboard games and jigsaw puzzles in Canada.

The Panel Division has been a major supplier to the automotive industry since 1925. This Division has plants in Scarborough and Windsor, Ontario, making interior trim components of fibreboard, hardboard and compression moulded plastics. Under the Canada-U.S. Auto Trade Pact of 1965, this Division's products are sold in the North American automotive market. Somerville Automotive Trim is located in Windsor. This subsidiary company assembles heater housings and fresh air ducts for one of the "big three" car manufacturers.

Somerville's involvement with the automotive industry was expanded in 1969 with the opening of Mastico Industries Ltd. in Tillsonburg, Ontario. The ownership of this new Company is shared by Somerville and Globe Industries Inc. of Chicago. Mastico's highly automated plant produces sound insulating materials for cars and trucks.

The Plastics Division is located in a modern plant in Bramalea, Ontario. It manufactures plastic products using the injection moulding and vacuum forming processes. The output of this plant is divided almost equally between custom and precision moulding for industry and consumer items, such as cutlery, disposable cups and dishes.

The Display Division in Don Mills, Ontario, designs and manufactures point-of-purchase displays.



Neilson's
Every Piece Different
SPACE FOOD STICKS
AJAX
SALTED
SALTINES

Wholesale and Retail Division

Westfair Foods Ltd.
 Western Grocers Limited
 Dominion Fruit Limited
 W. H. Malkin Ltd.
Kelly, Douglas & Company, Limited
 Nabob Foods Limited
 Super-Valu Stores (B.C.) Ltd.
 Cal-Van Caterers Ltd.

This division is the largest wholesale-retail food operation in Western Canada employing in excess of 6,000 people.

The Westfair Group, with its head office in Winnipeg, serves customers from Ontario to the Pacific coast. Originated in 1913 with the opening of one wholesale branch in Thunder Bay, Ontario, under the name of Western Grocers Ltd., the Company has expanded steadily over the years and now employs approximately 2,000 persons. While wholesaling still represents the major sales segment, increased penetration into the retail business through Company-owned stores is being undertaken.

Wholesaling through six divisions is carried out in fifty-seven locations, including a dairy in Winnipeg which serves corporate-owned stores. Five separate retail divisions, including conventional supermarkets, discount food stores and convenience stores, operate in 113 locations under such well known names as Shop Easy, Econo Mart and Mini Mart. A store fixture and refrigeration division is also a part of the Company.

Kelly, Douglas & Company, Limited of British Columbia is a very widely diversified Company, and through its subsidiaries operates manufacturing, catering, restaurant, wholesale and retail divisions.

The manufacturing division includes Nabob Foods Limited, Dickson Importing Co. Ltd., and Cloverdale Paint and Chemicals Ltd. Nabob Foods' largest volumes are done in coffee, tea and Squirrel peanut butter. Sungold Orange and other drink flavour crystals, Nabob Coffee Team, spices, jams and jelly powders are among the many products manufactured. Cloverdale Paint and Chemicals Ltd., and its subsidiary Monarch Paints Ltd., are engaged in the manufacture and distribution of a wide range of paints, varnishes and stains, as well as waxes.

The catering division includes the recently combined operations of Cal-Van Caterers and Canus Camp Caterers serving food to mining operations, gas plants and construction crews etc. Together they are operating at sixty-one different locations and feeding on the average of 6,500 to 7,000 men per day.

The restaurant division services 75% of the restaurant market in British Columbia.

The wholesale and retail division of Kelly, Douglas has extensive facilities throughout British Columbia and the Yukon, handling everything from food and drugs to hardware. Eighty-six retail stores are operated under the Super-Valu name. In addition to its regular wholesaling operations, the Company has a number of Cash and Carry wholesale outlets.

Loblaw Division
(not consolidated)

George Weston Limited has a substantial participation in the North American wholesale and retail industry through its Loblaw Division. The Company owns approximately 59% of the voting shares and slightly less than a majority of the total participating shares outstanding. Loblaws is not consolidated with George Weston Limited, the investment being carried at cost and earnings from this source being reflected only to the extent of dividends received.

Total sales of this Division are approximately $2.5 billion, two-thirds of which are in the United States and one-third in Canada. This vast enterprise was started in Toronto over half a century ago, just after The First World War. At that time, the new concept of self-service food retailing was introduced with overwhelming success. Through growth and acquisition, Loblaw and its subsidiaries operate a major complex of wholesale, retail and processing entities.

The principal subsidiaries are as follows:

RETAIL

Loblaw Groceterias Co., Limited operates 216 supermarkets in Canada under the Loblaw name, many of which are located in large shopping centres and retail complexes.

National Tea Co., Chicago, together with its subsidiary Loblaw Inc. headquartered in Buffalo, operate close to 1,000 supermarkets in over twenty states of the United States.

Power Super Markets Limited and its subsidiary Busy B Discount food markets participate in Ontario through 36 outlets.

Zehr's Markets Limited, Kitchener, operate 19 modern supermarkets and 12 smaller stores in Southwestern Ontario.

G. Tamblyn Limited, owned 55% by Loblaws, operates over 160 drug stores from Vancouver to Halifax filling 2 million prescriptions per year and selling a variety of health and beauty aids and other sundries.

Sayvette Limited operates 6 major department stores principally in the metropolitan Toronto area.

Dionne Limited operates 15 supermarkets in the metropolitan Montreal area.

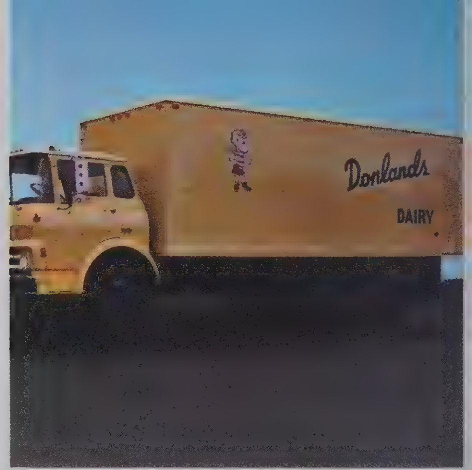
WHOLESALE

The Company's wholesaling operations include National Grocers Company Limited, Atlantic Wholesalers, Limited, O.K. Economy Stores Limited and York Trading Limited serving retail and institutional markets from Saskatchewan to the Atlantic coast through franchised and independent outlets, as well as approximately 100 corporate-owned supermarkets.

PROCESSING

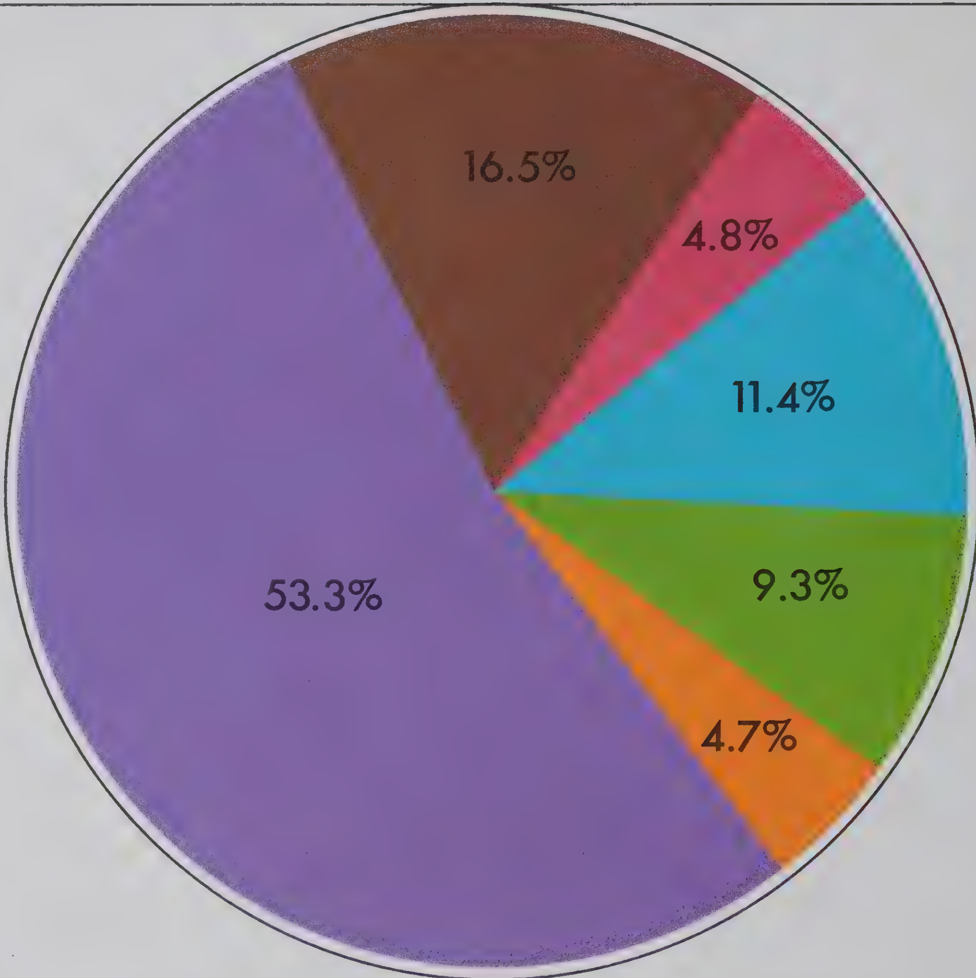
Donlands Dairy Limited processes and distributes a variety of milk and ice cream products to large chains and other retail outlets in metropolitan Toronto and vicinity.

Kambly (of Switzerland) Canada Limited is an important manufacturer of biscuits under its own label as well as private brands.




1
2
3
4

1969 Sales By Division



1969 Sales (In millions of dollars)	Division	1968 Sales (In millions of dollars)
$157.2	Bakery & Confectionery	$140.5
45.7	Chocolate & Dairy	45.5
109.5	Fisheries	101.1
88.4	Forest Products	55.8
45.3	Packaging	43.7
510.1	Wholesale & Retail	357.8
(24.3)	Inter Company Sales	(14.5)
$931.9		$729.9

George Weston Limited
Six Year Review
(in thousands)

	1969	1968	1967	1966	1965	1964
SALES AND INCOME						
Sales	$931,857	$729,889	$622,435	$579,771	$485,919	$462,648
Depreciation	15,752	12,581	10,962	9,373	8,224	7,155
Interest	11,182	8,464	7,586	6,116	4,669	4,753
Taxes on Income	13,049	11,957	8,436	11,572	11,027	10,169
Income from Operations	15,432	13,076	12,983	14,254	12,558	11,281
— per common share	1.33	1.11	1.10	1.22	1.12	1.00
Extraordinary items	57	10,085	6,789	1,022	1,036	1,093
Net Income	15,489	23,161	19,772	15,276	13,594	12,374
— per common share	1.33	2.04	1.72	1.31	1.21	1.09
Dividends						
— common shares	8,182	8,182	8,182	7,406	5,433	4,513
— preferred shares	931	950	961	974	982	984
FINANCIAL POSITION						
Current Assets	212,810	197,052	162,982	140,310	119,194	114,329
Current Liabilities	107,742	102,146	86,307	90,405	60,971	52,392
Working Capital	105,068	94,906	76,675	49,905	58,223	61,937
Fixed Assets — Net	183,391	158,427	136,649	120,043	107,751	93,933
Long-Term Debt	121,175	93,328	86,468	67,204	51,918	53,334
Shareholders' Equity	156,475	150,295	135,663	126,572	115,693	110,198
Total Assets	$437,120	$396,954	$349,399	$321,663	$259,161	$244,022

The figures for years 1964 to 1967 are shown as presented in the 1968 report and have not been restated for changes in accounting principle or presentation adopted in 1969 as referred to in notes to the financial statements.

George W

Divisions	Principal Subsidiaries
Bakery & Confectionery	Weston Bakeries Limited McCormick's Limited Paulin Chambers Co. Ltd. Marven's Limited George Weston Inc. (U.S.) Weston Biscuit Company Inc. Southern Biscuit Company American Biscuit Company Johnson Biscuit Company
Chocolate & Dairy	William Neilson Limited Eplett Ice Cream Limited Willards Chocolates Limited Devon Ice Cream Limited
Fisheries	British Columbia Packers Limited Nelson Bros. Fisheries Limited Rupert Fish Company Inc. Connors Bros., Limited H. W. Welch Limited Lewis Connors & Sons Ltd.
Forest Products	Eddy Paper Company Limited The E. B. Eddy Company J. E. Boyle Limited Eddy Forest Products Limited Eastern Fine Paper Inc.
Packaging	Somerville Industries Limited Somerville Automotive Trim Limited Canadian Folding Cartons Limited
Wholesale & Retail	Westfair Foods Ltd. Western Grocers Limited Dominion Fruit Limited W. H. Malkin Ltd. Kelly, Douglas & Company, Limited Nabob Foods Limited Super-Valu Stores (B.C.) Ltd. Cal-Van Caterers Ltd.
Loblaw (Not consolidated)	Loblaw Companies Limited Loblaw Groceterias Co., Limited

ston Limited

Facilities	Products — Services
Twenty plants and bakeries in Canada. Sales Branches (Weston's, McCormick's) across Canada; Paulin Chambers, Western Canada; Marven's, Maritimes and Quebec. Biscuit plants in Passaic, New Jersey; Battle Creek, Michigan; Richmond, Virginia; Tacoma, Washington; and Sioux City, Iowa.	Sweet and soda biscuits; confectionery products; bread, rolls, cakes, pies; breakfast cereals, cake mixes; ice cream cones and sipping straws. Biscuits for national distribution under the Weston's, A.B.C., F.F.V. (Famous Foods of Virginia) and special brand labels.
Chocolate factories in Toronto; ice cream plants in Toronto and New Liskeard; dairies in Beachville, Cochrane and Timmins, Ontario.	Chocolate, chocolate coatings and cocoa; chocolate bars and packaged chocolates; bulk and packaged ice cream; processed milk and other dairy products.
Extensive facilities including processing, canning and freezing plants in British Columbia, Alaska, California and on Canada's Atlantic coast. Fully integrated Bay of Fundy fisheries operation comprising boats, processing plants, canneries and other facilities.	Major packers of Pacific coast salmon and a wide variety of fresh, frozen, canned and prepared fish. Also processors of fish oil and meal. Canada's leading canners of sardines. Also processors of many kinds of Atlantic Ocean seafoods and fish products.
Timber limits and integrated wood-harvesting, processing and papermaking facilities. Plants in Ottawa — Hull area, Montreal and Davidson, P.Q.; Espanola and Hamilton, Ontario; Brewer, Maine, U.S.A.	Fine papers, newsprint, paperboard, converting papers, a wide range of paper products — towels, serviettes, tissues, grocery bags, etc. for industrial, commercial and consumer use.
Plants in London, Windsor, Toronto, Scarborough, Don Mills and Bramalea, Ontario; Montreal, Quebec; and Winnipeg, Manitoba.	Lithographed and printed folding cartons, containers and packaging materials. Automotive trim, plastic components and consumer products. Displays, games, etc.
Wholesale food warehouses, retail food markets, "Mini-Mart" convenience stores, "Econo-Mart" discount food outlets — in Western Canada. Wholesale food warehouses; retail food markets, and a large food products manufacturing plant — in British Columbia. Also a plant in Ajax, Ontario.	Wholesalers of food and other products serving the retail trade in Western Canada. Operators of convenience stores, discount-type retail outlets and food markets. British Columbia food wholesaler, industrial caterer, and major manufacturer of nationally distributed food products including tea, coffee, spices, jams, etc.

National Tea Co. (U.S.)
Loblaw Inc. (U.S.)
G. Tamblyn Limited

National Grocers Company Limited
Atlantic Wholesalers, Limited
The O.K. Economy Stores Limited
Power Super Markets Limited

Donlands Dairy Limited
York Trading Limited
Zehr's Markets Limited
Sayvette Limited

Printed in Ca